

17 MAY 1983

OGC 83-03989

MEMORANDUM FOR: Harry Fitzwater
Deputy Director for Administration

[redacted]
Special Support Assistant/
Deputy Director for Administration

Edward Sherman
Director of Finance

[redacted]
Deputy Director of Personnel

Daniel Childs
Comptroller

FROM: [redacted]
Legislation Division, OGC

SUBJECT: Required Payment of Federal Salaries
by Electronic Fund Transfer

Attached please find a copy of legislation (draft bill and explanatory letter) on the captioned subject. The package was prepared by the Department of Treasury and forwarded to the Agency for comment by the Office of Management and Budget (OMB).

This Office must respond to OMB by Tuesday, 31 May. Accordingly, I would appreciate receiving your comments by 25 May, so that there is sufficient time available to take any remedial action which may be necessary.

Attachment

(OGC/PS/maw)

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THE DEPUTY SECRETARY OF THE TREASURY

WASHINGTON, D.C. 20220

Dear Mr. Speaker:

There is transmitted herewith a draft bill, "To authorize the Secretary of the Treasury to issue regulations to require that wages and salaries of Federal employees be paid by electronic funds transfer or any other method determined by the Secretary to be in the interest of economy or effectiveness, with sufficient safeguards over the control of, and accounting for, public funds."

The primary purpose of this bill is to improve operating efficiency, increase productivity and reduce the costs associated with current payments of Federal salaries and wages. A cost study of Federal salary payments based on fiscal year 1981 data, reveals that it cost Treasury \$.28 for each salary check issued. Other costs associated with Federal salary payments made by check are borne by employing agencies and not included in this figure. These costs are not readily quantifiable in terms of real savings but it is estimated that considerable improvement in operating efficiencies and productivity would result. Costs associated with payments currently made by electronic funds transfer ("EFT") average \$.08 for each salary payment made. Based on these data, savings of approximately \$.20 are realized for each Federal salary payment that is converted from check to EFT.

Treasury began a program in 1978 to promote the conversion of Federal salary payments to EFT. This program is commonly called the Direct Deposit Program. It has been highly successful and well received in those agencies where it has been implemented. As of December 1982, there were approximately 2.8 million Federal employees. Approximately 74 million payments of net pay are made annually by Treasury and other disbursing activities.

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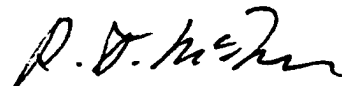
Conversion of Federal salary payments to EFT will totally eliminate the possibility that these payments will be lost or stolen from employees in circumstances that obligate the United States to make replacement payments. Payments made without checks will preclude the possibility that checks will be stolen and forged.

The draft bill authorizes the Secretary of the Treasury to issue regulations requiring that wages and salaries of Federal employees be paid by EFT, or by other methods determined to be economical, safe and effective. However, the Secretary would have sufficient discretion to permit checks to continue to be used for some categories of wage and salary payments and individual circumstances. That flexibility would be exercised in the regulations issued under the statute. The bill retains the Secretary's authority to make payments of other than wages and salaries by means other than check, when the recipient of the payment so requests. 31 U.S.C. 3332(f). The draft bill also authorizes the Secretary to set an upper limit on the number of allotments an employee may make under any allotment authority.

It would be appreciated if you would lay this proposed bill before the House of Representatives. An identical bill has been transmitted to the President of the Senate.

The Office of Management and Budget has advised that the proposed legislation is consistent with the President's program.

Sincerely,



R.T. McNamar

The Honorable
Thomas P. O'Neill, Jr.
Speaker of the House
of Representatives
Washington, D.C. 20515

Enclosure

A BILL

To authorize the Secretary of the Treasury to issue regulations to require that wages and salaries of Federal employees be paid by electronic funds transfer or any other method determined by the Secretary to be in the interest of economy or effectiveness, with sufficient safeguards over the control of, and accounting for, public funds.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 3332 of title 31, United States Code, is amended by striking subsections (b), (c), (d), and (e), and substituting the following subsections (b), (c), and (d) in lieu thereof:

"(b) Notwithstanding any other provision of law, the Secretary of the Treasury may issue regulations requiring that, where he determines it to be practicable, wages and salaries of

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employees of each agency be paid by electronic funds transfer or any other method determined by the Secretary to be in the interest of economy or effectiveness, with sufficient safeguards over the control of, and accounting for, public funds. The Secretary may issue regulations requiring employees of each agency to designate the financial organization they choose to receive payments of their wages and salaries. The head of each agency shall include in certifications of payments of wages and salaries information required by the Secretary about the financial organizations chosen by the agency's employees.

"(c) Payment of an amount by the United States by methods authorized pursuant to subsections (b) or (e) of this section, and accepted by a financial organization for handling in accordance with applicable regulations, shall constitute full acquittance of the United States for that amount.

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"(d) The Secretary may include in the regulations issued pursuant to this subsection a limit on the number of allotments that may be made from any payment when, in the Secretary's judgment, such a limit is desirable to protect the Government's disbursing systems against unreasonable expense."

Sec. 2. That subsection (f) of section 3332 of title 31, United States Code, is redesignated subsection (e) and is amended by adding "of other than wages and salaries" after "payment."

Sec. 3. That subsection (g) of section 3332 of title 31, United States Code, is redesignated subsection (f) and is amended by striking "The" in the first sentence and substituting in lieu thereof "Notwithstanding subsection (b) of this section, the."

Sec. 4. This Act shall be effective upon enactment.



EXECUTIVE OFFICE OF THE PRESIDENT

OFFICE OF MANAGEMENT AND BUDGET

WASHINGTON, D.C. 20503

May 2, 1983

General Counsel

83-03749

LEGISLATIVE REFERRAL MEMORANDUM

TO: Legislative Liaison Officer

SEE DISTRIBUTION

SUBJECT: Draft Treasury bill "To authorize the Secretary of the Treasury to issue regulations to require that wages and salaries of Federal employees be paid by electronic funds transfer or any other method..."

The Office of Management and Budget requests the views of your agency on the above subject before advising on its relationship to the program of the President, in accordance with OMB Circular A-19.

Please provide us with your views no later than May 31, 1983.

Direct your questions to Gregory Jones (395-3802), of this office.



*Be sure to
let Finance see
this*

[Signature]
James C. Murr for
Assistant Director for
Legislative Reference

Enclosures

cc: H. Schreiber
J. Lordon

K. Collins
J. Bridges

R. Greene
A. Strasser

J. Kent

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